DOCUMENT RESUME

ED 298 658 EA 020 347

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TITLE From Hobbes to Friedman: Development of the Free Market Economics of Education. AFT Research Notes, Number 28.
INSTITUTION Australian Teachers' Federation, Canberra.
PUB DATE 22 Dec 87
NOTE 53p.
PUB TYPE Viewpoints (120) -- Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS *Change Strategies; *Educational Finance; Elementary Secondary Education; *Finance Reform; *Financial Policy; Fiscal Capacity; Foreign Countries; Public Schools
IDENTIFIERS *Australia

ABSTRACT

The free market human capital discourse and its associated material practices now play a significant role in education. This discourse assumes that education is an economic site in which individuals invest in the acquisition of qualifications in order to maximize their future earning power. It demands the full privatization and deregulation of education. The development of the discourse is analyzed as follows: from 17th century scientific and liberal conceptions of the individual, society, freedom, and market equity; through Adam Smith's human capital doctrine and the second development of human capital ideas by Keynesian and neoclassical economists; to the free market human capital arguments of Milton Friedman and his successors. The policy claims of Friedman's Australian followers are examined, and the paper closes with consideration of the implications of free market practices. Appended are 44 references. (Author/LMS)

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ATF Research Notes

ISSN 0812-0684. Circulated by the Australian Teachers' Federation, PO Box 415, Carlton South, Vic. 3053. Ph: (03) 348 1700. Telex: AA 152486. Viatel: 334781410

NUMBER 28

22 DECEMBER 1987

ED298658

FROM HOBBES TO FRIEDMAN:

DEVELOPMENT OF THE FREE MARKET ECONOMICS OF EDUCATION

SIMON MARGINSON

"The wisdom of expending public and private funds on education is not to be measured by its direct fruits alone. It will be profitable as a mere investment, to give the masses of the people much greater opportunities than they can generally avail themselves of."

- Alfred Marshall, Principles of Economics, Book 4, Chapter 6, Section 7 (1890).

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ABSTRACT

The free market human capital discourse and its associated material practices now play a significant role in education. This discourse assumes that education is an economic site in which individuals invest in the acquisition of qualifications in order to maximise their future earning power. It demands the full privatisation and deregulation of education. The development of the discourse is analysed: from seventeenth century scientific and liberal conceptions of the individual, society, freedom and market equity; through Adam Smith's human capital doctrine and the second development of human capital ideas by Keynesian and neo-classical economists; to the free market human capital arguments of Milton Friedman and his successors. The policy claims of Friedman's Australian followers are examined and the paper closes with consideration of the implications of free market practices.

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DEVELOPMENT OF THE FREE MARKET ECONOMICS OF EDUCATION

In the last fifteen years free market economics[1] has regained a central influence in the production of knowledges and policies in the developed capitalist nations. In the process it has colonised new fields of social policy, including education. The original free market conception of education, deriving from Adam Smith - that education is an economic site where individuals invest in the production of themselves as human capital in order to maximise their future earnings, and thereby unwittingly augment the productivity of the national economy - has re-emerged as a comprehensive free market human capital discourse which now exercises a powerful influence in educational theorising, policies and practices.

The free market human capital discourse is productive of the deregulation and privatisation of education and training. It is associated with the growth of private schools, universities and training institutes and the regulation of access to education through exchange in the education markets: student fees calculated according to the cost of provision and the individual financing through loans repayable form future earnings. It therefore produces the radical de-stabilisation of existing arrangements, under which most education and training is provided by the state on a non-market basis, financed from general taxation revenue. In the free market human capital discourse the only legitimate goal of public policy is the construction of conditions of perfect competition and free exchange in private markets for human capital and in the labour markets. It also produces a radical relocation of the subject position of students : from the liberal educational subject to the liberal economic subject. The liberal educational subject is a mind/body undergoing disinterested preparation for a variety of life purposes. The liberal economic subject is narrower: an investor in future economic utility.

The liberal economic subject is not a new phenomenon. What is novel is the construction of the free market discourse as an universalising discourse in the field of education. The notion of human capital is as old as the free market economics from which it comes, and the foundations of both are older. The purpose of this paper is to trace the evolution withint the discipline of economics of the free market human capital discourse and its main organising concepts, as a contribution to understanding its efficacy in the present. Henriques et al have said:

> "we can describe the production of a discourse by reference to two sets of activities : on the one hand its development and transformation from an existing discourse or set of closely connected discourses and, on the other hand, the range of activities that are discursive and material in relation to which that development occurs. There exists a system of mutual effects between the two sets of activities....." (Henriques et al 1984 : 113).

The focus here is on the first of these sets of activities; from the philosophical foundations of the discourse to its development as economic science, spanning Adam Smith to Milton Friedman and his successors. Some concurrent reference to the second set of activities is inevitable, and the final section of the paper specifically examines the associated material practices. A fuller genealogy would focus also on the other conditions of possibility of the free market human capital discourse. For example, its rising influence needs to be explained in terms of the crisis of the dominant educational discourse of the post-war period - that of the meritocracy - and the spaces that crisis has created. Changing state practices in the financing of private education and the development of the science of educational administration also need consideration. But these matters are the object for another study.

1. THE FREE MARKET HUMAN CAPITAL DISCOURSE

The free market human capital discourse is a set of economic assumptions about the workings of education and the relationship between education and other social sites, particularly labour markets. Like psychology, another discourse that has powerfully influenced contemporary education, it is a science that identifies measurable quantities and performs calculations. Also like psychology, it is a productive science: people invest in its assumptions and behaviours, so that educational practices move closer to the practices described in the discourse. The question is not whether the discourse is 'true' but rather whether its agents are successful in creating its truths.

According to the discourse education is a process of economic production in which economic inputs (teachers, materials, buildings, etc.) are turned into outputs in the form of trained graduates. Successful training is signified by the award of educational credentials (qualifications). The discourse therefore concentrates on certain economic benefits of education. Non-economic benefits such as increased literacy, the production of culture, the meritocratic goal of opportunities for upward social mobility, or the social experiences and relationships experienced by students are outside its paradigm. Some human capital economists have been uncomfortable with these omissions and there have been attempts within the human capital framework to recognise non-economic benefits of education, sometimes to justify significant government intervention - for example, by ascribing monetary values to these benefits. However well intentioned, such attempts are arbitrary and inconsistent with the rest of the theory (Blaug: 1970 : 202).

As a science the free market human capital discourse excludes all factors which are not reducible to measurement: "For better or worse, the direct economic benefits remain at present the only ones capable of fairly accurate measurement and this is the chief, if not

the only, justification for concentrating on them" (Blaug: 204). Because the discourse starts from the individual, it therefore focusses on those economic benefits that can be attributed to individuals ("direct benefits") and does not take account of economic benefits that cannot be described as the property of individuals, such as the effects of one worker's education on the productivity of other workers (Davidson 1986: 4) or the important indirect contribution made by basic research. It does have a concept of social benefit, but this is seen as the simple total of the economic benefits attributable to individuals.

Following the precepts of neo-classical economics, the discourse measures the use of value of education in terms of exchange values in economic markets, prices. It has no method of measuring values that are not signified as prices; 'shadow prices' are used in the occasional attempts of economists to encompass the non-economic values of education in their ambit. (One of the effects of the equation of use value with prices is that free market economics automatically regards free public education as less valuable than education subject to tuition fees; 'people value what they pay for' is the common-sense expression of this market-based assumption).

Education as Individualised Benefit

The chief, and often the only benefits of education are measured as monetary returns to the individual. In the free market human capital discourse students and their families are seen as driven soley by economic self-interest. As noted, education is conceived as a process whereby individuals invest in order to augment their future earning power. On completing education students are turned into human capital, representing potential increased productivity to employers, which can then be exchanged in the labour markets: the discourse assumes that individuals will invest in education up to the point where the costs of education (income forgone, learning materials, tuition fees) exceed the increased earnings that result

from possession of a credential. The forces of supply and demand therefore decide whether people invest in education or not, and what sort of education they invest in. The theory is that "if highly qualified workers are in demand, high wages will lure the intelligent to make their investment in long periods of training" (O'Donnell 1984:10).

Thus the discourse assumes that future levels of wages are the sole influence on the choice of both occupation and education, that future wage levels can be accurately predicted in advance and that students have sufficient information to calculate the right decisions. Further, it assumes that the specific credential is reflected in a specific productivity which in turn is reflected in a specific wage/salary level[2]. In the perfect human capital universe, at equilibruium the private costs of education are equal to the increased wages resulting from education, are equal to labour's share of the increased productivity of the educated individual. This chain of reasoning can be used to argue that education causes economic growth, or in reverse: that reduced rates of growth require lowering of the costs of education. At different times economists have argued both.

The value of each individual's human capital investment is calculated by computing the private rate of return on education: the increased earnings relative to the costs of education, written off over a specified time-period - usually the working life. In turn the social value of education is calculated by computing the social rate of return, which is pure human capital theory derives from the sum of the increased monetary returns accruing to all individuals, relative to the total costs of education systems. Human capital economists have constructed a range of techniques in the attempt to measure these total rates of return, such as comparison between earnings differentials and educational differentials over different time periods or cross-sectional age-earnings and age-wealth profiles (Blaug 1970: 23-60, 200-234).

The free market human capital discourse assumes and tends to create the specific conditions under which its equations hold. It requires fully private market conditions and free competition[3] in both education (the markets for the production of human capital) and the labour markets (the markets for the exchange of human capital). As noted, this implies no role for governments in education financing and provision apart from political support for the maintenance of competitive markets. The argument for government involvement vanishes if there are no social benefits of education not attributable to individuals. Further, government intervention is seen to distort the efficient operation of the human capital markets: the individual cost of education is lowered by government financing and more education occurs than is strictly necessary. In the discourse efficiency is enhanced when social costs from taxation revenue are reduced and the proportion of costs bourne by individual investors is increased, all else being equal. The discourse also requires that the labour markets operate under conditions of perfect competition and profit maximisation: "to calculate private rates of return one must assume that labour is paid its marginal product, thus that the labour is employed optimumally, that is, where its marginal product equals the price of labour" (Barlow: 6). For this assumption to hold it must also be assumed that unions, professional associations and award wage regulation - all distortions of a free labour market - do not exist. The political reality is that these institutions do exist but the point is that free market economists support any and every dimuition of their role as increased efficiency in the exchange of human capital.

2. FOUNDATIONS OF THE DISCOURSE

The free market human capital discourse draws its social theory from the free market political economists of the eighteenth and nineteenth centuries (principally Adam Smith) and its specific scientific methodology from neo-classical economics, which held sway for fifty years after 1880 until the advent of Keynesianism and has

returned to favour today. Its foundations lie in the liberal and scientific traditions of the post-reformation period in the seventeenth century. It was in this period that its crucial conceptions of individual and society were formulated. It was then that human behaviour was modelled as the autonomous rational human subject, the modern 'individual'. Biological distinctiveness became transformed into social autonomy: the individualised human subject was seen as prior to, separated from and opposed to 'society' (Henriques et al 1984: 11-14).

It is difficult to see this problem clearly because the absolute separation of individual and society is now pervasive in our culture and our daily life. The autonomous individual subject, the unitary individual will, is the central figure in the discourses of economics and the other social sciences. We are all located in this subject position during formal education through the technologies of educational psychology (Walkerdine 1984: 169-173; McCallum 1987), and through economic transactions and an economic culture which construct people as atomised consumers. The pre-given individual - with its connotations of the naturalness of inequality and individual responsibility for the outcomes of social selection - has a powerful purchase in the common sense. It is therefore rarely acknowledged that the autonomous individual is not natural; it is a philosophical notion constructed by particular knowledges arising in a specific historical epoch.

The origins of scientific rationality and the modern 'individual' were closely intertwined. The individual human subject of free market economics is actually a double subject: the subject of science and reason, and an abstract legal subject with equal formal rights (Venn 1984: 133). Thus the post-reformation philosophers such as Descartes and Hobbes saw themselves in opposition to the dogmas, desires and values of the decaying mediaeval order - as self-made men, rational individuals staking out their own separated terrain in a natural world (Peters 1956: 16). They were confident that this world could be understood by calculation. They saw

themselves as cognitive in opposition to affective[4]. They admitted only one scientific rationality; they regarded subjectivity as unitary rather than multiple. The seeds of the one dimensional scientist (the seeker after truth) and one dimensional 'economic man' lie in these conceptions.

The influential liberal notions of freedom and equality also arose out of the construction of the individual and the opposition of individual and society. Individual freedom and equal legal rights were constituted in opposition to the old order. In the liberal tradition liberty began in a negative sense: as freedom of the individual from constraint by an external and unnatural power, the state. Equality was seen as subordinate to liberty and meant primarily that all people were born autonomous individuals with their own legal space, free to pursue "the contentments of life, which any man by lawful industry, without danger, or hurt to the Commonwealth, shall acquire to himselfe" (Hobbes 1651: 376). The distribution of these "contentments of life" was to be ordered by individual exchange in the market: "Equity; which is also a Law of Nature" (208).

For as Hobbes so graphically put it: "The Value, or Worth of a man, is as of all other things, his Price; that is to say, so much as would be given for the use of his Power" (151).

The Liberal Economic Subject

The free market human capital discourse relies on these generative conceptions of individual and society. In that discourse the individual is constructed as the liberal economic subject; unitary, calculating and egoistic; motivated solely by personal economic ends of a particular type. The liberal economic subject seeks to maximise utility as a function of the personal consumption of goods (Quiggin 1987: 10). In the discourse the goal is often reduced to maximisation of the means of consumption through the accumulation of wealth, as measured by exchange values in a market economy:

accumulation for accumulation's sake. The liberal economic subject's economic practices are based on a sequence of rational calculations designed to maximise utility. Objectives and values that are not reducible to economic utility as measured in the market are excluded from consideration[5].

In the discourse society is constructed as the market, and the market is described by totalling its individuals. In the models built by neo-classical econometricians the cardinal unit is the individual subject and the market (society) is the simple aggregation of these autonomous subjects. These models are then used to generate predictions of market behaviour which can be empirically tested. The neo-classical economist is an exponent of methodological individualism: "the view that all social phenomena are best explained by the properties of the individuals who comprise the phenomena, or equivalently, that any explanation involving macro-level, social concepts should in principle be reduced to micro-level explanations involving individuals and their properties" (Levine et al 1987:69. See also Lukes 1970)[6]. Methodological individualism is not necessarily atomistic - it does not completely exclude relations between individuals. However, it encompasses only those relational properties which can be included in the description of discrete individuals[7]. For example, the money system is a system of relations. Its exchange medium (money itself) can be identified as the property of discrete individuals and included in the economic description of them. So money as exchange finds its way into the human capital equations in which, as Hobbes suggested, people are equated with their price - they become individualised quantities of earning power, of money. But much of the economic power relations associated with exchange cannot be reduced to individualised prices and is left out of the equations. So concentrations of economic power - monopolies, cartels, all distortions of a freely competitive market - are hidden. So are all other human productions, transactions and relations.

The drive to individualise explanation therefore leads to a double abstraction. On the one hand there is the economic individual, manifestly incomplete; on the other hand there is the reified market (society), individualised units networked by exchange and located in free space. The models built on these sparse axioms are maintained tenaciously, even to the point of contradicting their own claims to scientificity: "there is a danger that preference for this style of argument will be permitted to bias the interpretation of empirical tests, so that failed predictions are ignored or done away with. If this is done, the apparent advantages of rigor largely become illusory" (Quiggin 1987: 11). Nonetheless, it needs to be emphasised that these unexamined, unreal conceptions of individual and market are no less powerful for being abstractions. They <u>are productive</u> of real social relations. For example, in free market discourse to be outside the market is to be outside the social. For all of those who are located in the discourse, non-market productions (such as free public education) are thereby rendered alien and undesireable.

The two abstractions, individual and market, are the key organising conceptions in the discourse, shaping desires and providing universal explanations. There is more than an echo of the reformation's coupling of responsible individual soul and all-powerful deity. In free market discourse individualism becomes a creed and the market the invisible hand, a metaphysical thing-in-itself. Consider Milton Friedman's unitary reading of the history of the United States of America:

> "The United States has continued to progress; its citizens have become better fed, better clothed, better housed, and better transported; class and social distinctions have narrowed, minority groups have become less disadvantaged; popular culture has advanced by leaps and bounds. All this has been the product of the initiative and drive of individuals co-operating through the free market. Government measures have hampered not helped this development. We have been able to afford and

> surmount these measures only because of the extraordinary fecundity of the market. The invisible hand has been more potent for progress than the visible hand for retrogression" (Friedman 1962: 199-200).

Underlying much free market theory and polemic is the image of the market as the all-embracing goal of policy, a means and an end, the terminus of the social; beyond economics: the general good into which the discrete individuals are dissolved and the meanings of their lives expressed. From absolute separation of individual and society to their absolute unity in the market.

Freedom and Democracy

Free individual, free market. Universal freedom. Freedom is the powerful signifier of the free market brand of neo-classical economics, yet it is freedom of a particular and limiting kind. Originating negatively as opposition to state restraint, freedom is conceived as the absence of political power rather than the exercise of political power. The discourse does not understand social power as productive, except in the form or market power. It does not acknowledge that changed social arrangements through government intervention can produce positive powers (freedoms) as well as restraints, for example through the eradication of epidimic disease or the provision of universal education (Wilenski 1985).

In Hobbes' words, the role of the state should not be expressed through "care applied to individuals, further than their protection from injuries, when they shall complain; but a general Providence ... and the making and executing of good Lawes, to which individuall persons may apply their own cases" (Hobbes 1651: 376). There is no place here for a welfare state. From the state the discourse requires only two things: the regulation of order, and the construction of an individualised legal subject - usually understood as a male householder (Gamble 1986: 47) - who can hold property and

engage in exchange in a market free of interference. (On these points all liberals agree; there are of course wide divergences in the various political philosophies, the offerings of other discourses, which have been tacked onto the originating liberal agenda).

Government intervention is therefore judged and pre-judged in terms of interference with free market exchange rather than any positive benefits that intervention might create. With productive state activities outside the terrain of legitimacy, the free market discourse has no stake in the democratisation of government production to place decisions in the hands of consumers. The discourse's relation with political democracy is conditional and variable; a democratic polity is not necessary to its premises[8]. Its only necessary response to state production is market colonisation through demands for deregulation and privatisation.

Market Equity

The free operations of competitive private markets are associated with radical divergences in market power between large producers and small producers, wealthy consumers and poor consumers, and producers and consumers. Freedom of choice in the market place does not necessarily confer the power to choose and for many that power is restrained. But within the market the social doctrine is inverted: political power can only be negative, but market power can only be positive. The economically powerful restrict the freedoms of the poor, but the chains that bind the poor are natural and invisible. Economic inequalities are taken as given, the result of the unequal distribution of natural fitness expressed in free competition. For example the free market human capital economist George Fane has said that equality is outside his paradigm: "a question for philosophers and not for economists" (Fane 1985: 21). The exponents of free market discourse hold to Hobbe's 1651 preference for market equity over social equality, as summarised here by C.G. Macpherson:

" ... the old concept of distributive justice held that in the distribution of any benefit among a number of people the rule should be 'equal benefit, to men of equal merit'. This is meaningless as soon as it is realised that the value or worth of a man (sic) is simply his price, that is, so much as would be given for the use of his power. For this is to say that a man's merit, or what he deserves, is by definition exactly what he gets, so that there is automatically a distribution of the whole social product among the individual members of the society in proportion to their merit. Equal merit is proven by equal benefit" (Macpherson 1968 :51)[9].

The egalitarian criticism of the free market human capital discourse is that by limiting legitimate social action to individual action in the market, by ignoring inequalities, by evading the social construction of freedoms, the discourse consigns most people to relative economic and political powerlessness. It also conceals the causes of their powerlessness and thereby locates failure and powerlessness in the domain of individual responsibility. The unemployed worker is seen as unmotivated, under-skilled or naturally unfit for work; working class children fail to reach university because of deficits in their ability, effort or home environment. As Stuart Hall has put it, in the classical liberal paradigm:

"Everyone must have an equal chance to enter the competitive struggle - there must be no barriers to entry. Everyone must be <u>free</u> to compete. Whatever their real differences in power and wealth, the law recognises all individuals as equal 'legal subjects'. This is the 'liberal' concept of equality.

"Note that this does <u>not</u> mean that people must have equality <u>of condition</u> so that they can compete equally; or that those who start from a poorer position should be 'positively advantaged' so that they can really, in fact, compete on equal terms; and certainly it does not mean that everyone should end up in roughly equal positions .... since fear of failure is the spur

> to competition, all cannot succeed. Hence, inevitably, many must lose in order for some to win. From its inception classic liberalism was identified with the 'free market' and opposed any intervention by the state to remedy the unequal consequences of market competition or to distribute goods, resources and opportunities more equitably between the competing classes. This is an inherently inegalitarian position if we conceive liberty in a more positive sense" (Hall 1986:41. Emphasis in original).

In the free market human capital discourse freedom is therefore not freedom to be. There is only one available subject position. In the markets people must subordinate themselves to the laws of supply and demand, must become their "Price", individualised units of capital. Within the markets these individualised units of capital are aggregated in large blocks of economic power. The free operation of the market tends toward the accumulation of monopoly economic powers, including control over entry to markets themselves: free market economics thereby negates and denegates itself. And the accumulation of economic power produces specific political powers which limit the freedoms of many others: media oligopoly is one example. It is perhaps not surprising that "a very active area of current research" in the application of human capital theory is analysis of the economics of slavery (Rosen 1980 = 129).

3. FROM ADAM SMITH TO MILTON FRIEDMAN

If the foundations of the free market human capital discourse lie in the world of Descartes, Hobbes and Newton, its specific intellectual origins lie one hundred years later in the political economy of Adam Smith - the chief point of reference for modern free market economics. Smith first popularised the notion of human capital. In The Wealth of Nations (1776) he said that the fourth element of the "fixed capital" of society is:

> " .... the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his (sic) education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expense, repays that expense with a profit" (Smith 1776: 377).

And he also argued that:

> "A man educated at the expense of much labour and time to any of those employments which requires extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with at least the ordinary profits of an equally valuable capital .... The difference between the wages of skilled labour and those of common labour is founded on this principle" (203-204).

Here Smith proposed certain ideas later central to human capital theory: that expenditure on education is investment in human capital, analogous to investment in physical capital; that education is a process of <u>individual</u> investment in future earning power; that wage differentials are founded in productivity differentials which in turn are founded in different levels of education and training; that the social benefits of education are equivalent to the sum of the private monetary benefits accruing to all individuals. Smith also favoured private education and argued that the funding of the education through non-market mechanisms encouraged poor teaching.

Adam Smith's Successors

However, Smith's neo-classical successors were not always convinced of the doctrine. John Stuart Mill thought that Smith's 'invisible hand' thesis - whereby Smith argued that the social good would be maximised when all individuals were free to pursue their private interests in a perfectly competitive market place - broke down with respect to education (Blandy 1970: 103-104). In Mill's time the first state systems of universal primary education were being established, and there was reckoned to be more at stake than the production of human capital. In 1890 Alfred Marshall rejected the idea of including the acquired skills of a population in the measurement of total social capital and warned that:

> "The wisdom of expending public and private funds on education is not to be measured by its direct fruits alone. It will be profitable as a mere investment, to give the masses of the people much greater opportunities than they can generally avail themselves of" (Book 4 Chapter 6, Section 7 of Principles of Economics. Blaug: 3).

The second development of the human capital concept was the work of both Keynesian and neo-classical economists. The initial popularisation can be attributed to G.S. Becker, T.M. Schultz and others working in the then Keynesian mainstream in the 1950s and 1960s (Rosen 1980). As Smith had done, these economists regarded education as an individual investment in human capital and saw the total investment in education as the sum of all the individual investments. Unlike Smith they emphasised overall social rates of return on investment in education and used aggregated earnings figures to argue that expenditure on education contributed massively to economic growth: Schultz even claimed that 30 per cent to 50 per cent of historical increases in the national income of the United States were due to education, a doctrine then attractive to

educationists and governments alike (for an Australian example see Wheelwright 1962:7). Keynesianism is a hybird discourse. The Keynesian economists supported extensive government intervention in education and tended to blur the contradiction between non-market generality and the a priori neo-classical assumptions of perfect competition and unregulated private decisions on which the individual investment model was based.

Milton Friedman

Meanwhile the principal policy statement of the free market version of human capital theory was being prepared by Chicago economist Milton Friedman. In a paper first written in 1955 and subsequently revised for his influential book Capitalism and Freedom (1962) Friedman closely followed Adam Smith in arguing that:

> "Vocational and professional schooling ... is a form of investment in human capital precisely analagous to investment in machinery, buildings, or other forms of non-human cpaital. Its function is to raise the economic productivity of the human being. If it does so, the individual is rewarded in a free enterprise society by receiving a higher return for his (sic) services than he would otherwise be able to command. This difference in return is the economic incentive to invest capital whether in the form of a machine or a human being ..... In both cases, an individual presumably regards the investment as desireable if the extra returns, as he views them, exceed the extra costs, as he views them. In both cases, if the individual undertakes the investment and if the state neither subsidizes the investment nor taxes the return, the individual (or his parents, sponsor or benefactor) in general bears all the extra costs and receives all the extra returns: there are no obvious unbourne costs or unappropriable returns that tend to make private incentives diverge systematically from those that are socially appropriate".

> "If capital was as readily available for investment in human beings as for investment in physical assets, whether through the market or through direct investment by the individuals concerned, or their parents or benefactors, the rate of return on capital would tend to be roughly equal in the two fields" (Friedman 1962: 100-101).

Friedman said that investment in education involved a significant risk factor because of "differences in ability, energy and good fortune". Noting that other risky investments are financed by equity investments plus limited liability on the part of shareholders, Friedman suggested that it should be possible "to 'buy' a share in an individual's earning prospects; to advance him the funds needed to finance his training on condition that he agrees to pay the lender a specified fraction of his future earnings."

> "There seems no legal obstacle to private contracts of this kind, even though they are economically equivalent to the purchase of a share in an individual's earning capacity and thus to partial slavery" (103).

Citing Becker and Schultz, Friedman argued that the rate of return on human capital was significantly higher than the rate of return on physical capital, indicating that there was "underinvestment in human capital," although he said that if training was provided by governments for all who wished to undergo it, "there would tend to be overinvestment in human beings". He suggested that in principle the only form of government intervention should be the provision of loans to individuals, to be repaid from future earnings - possibly through the income tax system. "In this way, the individuals who received the training would in effect bear the whole cost ... provided the calculated earnings reflected all relevant returns and costs. The free choice of individuals would tend to produce the optimum amount of investment" (102-106).

> "The development of arrangements such as those outlined above would make capital more widely available and would thereby do much to make equality of opportunity a reality, to diminish inequalities of income and wealth, and to promote the full use of our human resources" (107).

Friedman acknowledged fleetingly in a footnote that not all of the returns to education took a monetary form because there were non-pecuniary advantages attached to particular individual occupations (101): a point already taken up by Adam Smith (Blandy 1970: 190). He also admitted that the human capital paradigm rested on too narrow a definition of vocational education. It is hard to distinguish between vocational and general (pre-vocational) education, he said, not only does general education play an economic role but "much vocational training broadens the student's outlook" (88).

Nevertheless, Friedman treated general education differently from vocational education. He acknowledged that there were non-pecuniary social benefits in the provision of schooling, albeit limited to the elementary school years. Noting that education could provide "a minimum degree of literacy and knowledge" and "widespread acceptance of some common set of values", Friedman said that there were significant "neighbourhood effects" in the first few years of schooling - effects that yielded gains to all citizens (86). These neighbourhood effects were seen to diminish and disappear at later levels of education, especially at the higher education stage, on the curious ground that there was less agreement on the desired content of education once the three R's had been left behind. Friedman did not see the general education of all citizens to the end of secondary school as necessary; the common interest extended only to ensuring that the pre-given "exceptional few" received the fullest education because "it is they who are the hope of the future" (93).

In a later work, he suggested that compulsory school attendance laws were not necessary to guarantee the necessary minimum degree of literacy and knowledge, and should be abandoned (Friedman 1980:162).

Friedman suggested that even though neighbourhood effects existed, parents could still be required to pay the full costs of schooling, with subsidies to the needs in "extreme cases" (Friedman 1962:87). But noting the presence of regional variations in family resources (87), he proposed the voucher system as a compromise (Friedman 1980:161):

> "Governments could require a minimum level of schooling financed by giving parents vouchers redeemable for a specified maximum sum per child per year if spent on 'approved' educational services. Parents would then be free to spend this sum and any additional sum they themselves provided on purchasing educational services from an 'approved' institution of their own choice. The educational services could be rendered by private enterprises operated for profit, or by non-profit institutions. The role of government would be limited to insuring that the schools met certain minimum standards ..... " (Friedman 1962:89).

Accordingly Friedman argued for the "denationalisation" of schools. Public schools in name would still exist, but via the voucher system parents would receive an equivalent sum whether their student children attended private or public schools. This would permit direct competition to develop which in turn, he claimed, would improve the standard of all schools. Further, individuals' choices would be widened: the market would "permit each to satisfy his own taste". (Unequal capacity to pay was not seen to limit individual choice). Friedman said that the public costs of schooling would be reduced but overall expenditure on education could well rise because of increased private expenditure - a doctrine attractive to governments looking for ways of reducing the total education budget (91-95). In Friedman's system individual investment decisions would

come into play through parental willingness to finance schooling at higher tuition levels than paid for by the standard voucher. As the voucher would cover costs in public schools, investment in private schools would therefore come closest to the human capital approach. And "new sorts of private schools could arise to tap the vast new market" (Friedman 1980:163).

In the 1980 work he said that while he preferred the abolition of all taxpayer subsidisation of higher education, and fees corresponding to the full cost of educational and other services he was prepared to countenance the introduction of a voucher plan in higher education as for elementary and secondary schooling.

Rise of Free Market Economic Discourse

In 1962 these policy claims were reckoned extreme and their implementation highly unlikely. From the late 1960's, as inflation accelerated and Keynesian economic management proved ineffective, economic science experienced a major upheaval and the economics of education changed with it. The catalyst was the rise of monetarism (management of the money supply) as the principal tool of policy after floating exchange rates were established in 1972. Monetarism was explicitly anti-Keynesian. It prioritised inflation rather than unemployment as the chief economic problem and demanded restrictions on government economic intervention. Although further deregulation was to undermine the use of broad money supply targets and monetarism fell from favour in the 1980's, it was decisive in placing free market economics on the agenda. Friedman was closely associated with money supply research and anti-inflation policy and his economic policies moved to the heart of political debate (Gamble 1986: 29-36). The transition from Keynesianism was irreversible after the world recession of 1974 and 1975, which was laid at the door of post-war Keynesian policies, especially expanded government intervention. The free market counter-revolution in mainstream economics had begun.

In education the exaggerated claims of the Keynesian human capital economists now come home to roost, for if increased government financing of education could be held responsible for economic growth during the post-war boom, logical consistency suggested that it could have contributed to the collapse of the boom. The neo-classical individual investment model survived and flourished in the new free market environment but the macro-economic context of human capital research was altered. The work of Psacharopoulos on the relationship between education and earnings, conducted for the pragmatic Organisation for Economic Co-operation and Development (OECD), typlifies this change. Writing in 1975 at the point of the free market counter-revolution, he started from a hybrid of observations typical of the earlier human capital theorists - the neo-classical assumption that the social rate of return on educational expenditure was equivalent to the sum of the private rates of return, minus government subsidisation (Psacharopoulos/OECD 1975:7); and the contrary Keynesian emphasis that "it is only in an ideal, perfectly competitive world that observed market earnings would correspond to marginal labour productivity" (14). After working through a mass of inconclusive data on rates of return and the effects of education, he opted in the end to narrow the focus to the free market model:

> "It might be better (if not simpler) to concentrate future analyses of the type described thus far in this volume ... on data raised in competitive labour markets. Although this shifts the problem as to what is a really competitive market, data from public sector employment, aggregate Census data and sectors with strong union influences should be excluded" (Psacharopoulous/OECD 1975:175).

Friedman's Australian Successors

The primacy of this micro-economic model has been adopted with increasing confidence by human capital economists. The free market human capital discourse is now underpinned by a considerable

econometric literature whose methods are unambiguously neo-classical and whose policy assumptions draw heavily on Friedman: for Australian examples see Selby-Smith (1975); Blandy and Richardson (1982); Throsby (1985); Miller and Volker (1987). Human capital arguments are now closely associated with demands for the privatisation and de-regulation of educational financing and organisation.

In the policy arena the first official recognition of Friedman's ideas in Australia were the decision to publish Appendix E to the 1979 Report of the National Inquiry into Education and Training, prepared by Professor Richard Blandy of Flinders University: 'A liberal strategy for reform of the education and training system in Australia.' Blandy concentrated on post-school education. He did not spell out his economic premises in detail, but started from the human capital assumption that: "Greater earnings are associated (in enrolment equilibrium) with greater education and training costs". He argued that the present system provided insufficient vocational education and was not sufficiently responsive to "labour force interests" (145). The remedy was to assert the individual investment model. He proposed that "the burden of financing post-secondary education be shifted progressively from taxpayers at large to taxpayers who have been students of the institutions (and who have, therefore, reaped direct benefits in greater earnings or consumer satisfaction or both)" and also that institutions charge fees intended to cover the whole of tuition in order to transfer costs to the "direct beneficaries of the services" (Blandy 1979: 146, 157-158).

Blandy therefore urged adoption of a mix of new arrangements to transfer costs to the 'user': a graduate tax as proposed by Friedman, from which institutions would draw part of their funding; and full cost fees collected by the institutions themselves. He envisaged a mix of public and private institutions (151) and a high degree of institutional autonomy. Institutions "weak" in market response would "vanish from the scene" (149-150). Universities and

colleges would be accountable to consumers via the market place, "rather than to the state as consumers' representative, although there is accountability at certain extreme limits to the state as well". The role of government would be limited to "keeping tuition fees within bounds, ensuring that 'acceptable' standards are being met and that access is not denied to disadvantaged groups of people" (149), thereby ensuring the efficient operations of the education market.

Blandy followed Friedman in proposing that all post-school students receive a standard grant - an education voucher - and also be eligible for finance from a government-administered student loans scheme "up to the excess of tuition fees charged over standard grants received" (Blandy 1979: 153-154, Blandy and Sloan 1984: 13-14). He modified Friedman's approach by suggesting that the Federal Government could discriminate in favour of "disadvantaged students" in post-school education through Government decisions to pay for fees and living expenses, and the waiving of interest on loans. To this extent, Blandy set aside Friedman's assumption that equality of opportunity (equity) would be maximised through free competitive access to educational investment, and created some space for contradictory egalitarian discourse.

George Fane's Policy Claims

In 1984 George Fane of the Australian National University prepared a paper for the Federal Government's Economic Planning Advisory Council (EPAC) that was a fuller exposition of the free market human capital approach and one more faithful to Friedman. Fane's view of education was uncompromisingly individualist, although explicit references to human capital were limited to his discussion of student loans schemes (Fane 1985: 95-99). "In terms of its intrinsic economic characteristics education is a private good not a public good", he said (6).[10] Following Adam Smith and Milton Friedman Fane acknowledged that education has non-pecuniary benefits

to the individual as well as pecuniary ones. But in total the net external economic benefits of education were regarded as zero, with the possible exception of research (15-21), and the non-economic external benefits were limited to the elementary schooling years - although he admitted that the relevant data on external effects was lacking [15].

Hence in his "first best" policy proposals Fane called for complete privatisation of education, and the abolition of all government subsidies apart from vouchers in the early years of schooling. The latter proposal arose because like Friedman, Fane considered that elementary schooling should be guaranteed by government; he argued for compulsory schooling up to the of Year 6 (a four year reduction in the present school leaving age) and voucher funding up to and including Year 8.

Realizing that his "first best" choice of complete privatisation and no government funding after Year 8 was unlikely to be implemented, Fane's fall-back position was voucher funding of secondary schooling, experiments in privatisation of schooling, tertiary fees ideally set at the level of "the estimated marginal social cost" of the places (66), the complete abolition of tertiary student assistance and open-market student loans rather than a subsidised loans scheme. While he stated that "we cannot recommend any subsidies to education on efficiency grounds" (111), he said that if it is an object of policy to assist the entry of working class students into university education then this should be done through the provision of means-tested scholarships rather than grants or loans (115). Unlike Blandy, Fane did not suggest vouchers for post-school education. To finance research, Fane recommended that the existing wages of academics be reduced by one quarter and all academics would receive three months upaid leave. Academics would then be able to compete for this money in order to cover their research activities (110).

We have seen that the free market human capital discourse assumes that the most 'able' students will rationally calculate their own earning prospects and thereby invest in a level of education appropriate to their abilities. Like Friedman, Fane had no disagreement with the concept of fixed ability or the techniques of its production - he proposed the imposition of standardised external examinations throughout the education systems. But given the scarcity of places available in certain high income-earning courses such as medicine, the production of ability through (non-market) selection internal to education institutions constitutes a partial closure of the free market in the production of human capital.

Fane's response to this problem was an uncompromising development of the human capital approach: the establishment of a market in tertiary places. On the basis of Year 12 scores, students would be allocated a "ticket"; the higher the score, the higher the value of the ticket. Students who gained entry would then be able to sell their entry ticket - their partly developed human capital - to the highest bidding unsuccessful student. He argued that this would encourage the most able students to seek entry into the courses with highest value and encourage all students to value education more than at present (68-74). There would thus be no impediment to individual investment in education and distribution on the basis of Hobbesian market equity.

4. MATERIAL PRACTICES ASSOCIATED WITH THE DISCOURSE

The material practices associated with the free market human capital discourse (produced by it and productive of it) are radically different to many present educational practices. [11] But in observing Australian education it is immediately apparent that its efficacy is now significant.

The present deregulation and privatisation of existing state production of education take a number of forms: the growth of private schools, training enterprises and higher education

institutions such as the Bond University of Technology, often nutured and supported by State subsidy; the establishment of user charges and selective full fee arrangements in higher education, that is, transfer of partial cost form the State to users; policy spaces created for the development of private fee-for-service research and consultancy by academics employed within existing public institutions; encouragement of corporate sponsorship and organisation of research and vocational training (for corporate funding and full fee structures in higher education see Dawkins 1987). All of these changes broaden the domain of market exchange and tend to displace the ordering of education by the State.

The private educational markets and the enclaves of private production within state-controlled institutions do not function according to the laws of prefect economic competition. Most private educational institutions are not profit-making businesses as such (although profit-taking in training and research is certainly expanding) and in schooling market power tends to be concentrated on elite establishments whose drawing power is as much cultural as economic. However, market practices do lead to a hierachy credentials/institutions which roughly corresponds to a hierachy of user prices; and in turn, as the market's role increases the remaining non-market productions in the public sector tend to be residualised. The public sector becomes bottom of the hierarchy, the place of low rates of return, the province of users without capital to exchange. The residualisation of Australian public schools is already evident. The private school's share of total enrolments rose from 21.1 per cent in 1977 to 26.5 per cent in 1986. (ABS 1978 and 1986a). Delegitimated in free market human capital discourse (and conjuncturally, devalued by conservative educational discourse), Australian public schools are increasingly vulnerable to claims about inferior relative standards and the construction of good parenting as investment in private schooling.[12] The effect is not uniform across Australia, but public school parent and public

school student are becoming more difficult locations to occupy, except by those who have invested heavily in egalitarian discourse. As the free market Centre for Policy Studies has said:

> "Any increases in subsidies paid to private schools - and, a fortiori, the payment of equal per pupil subsidies to government and private schools (as in the classic form of the voucher proposal) would presumably increase the already rapid rate of privatisation of primary and secondary education - provided, of course, that the growth of the private sector was not artificially limited by the refusal to license new schools. A the flight from government schools accelerated, the quality - or at least, the perceived quality - of the students and staff of the government schools generally would further decline, leading to further transfers to the private sector. The end result is likely to be a predominantly private system of education" (Freebairn et al 1987 : 112).

Free state-provided education is a considerable material benefit. Ironically therefore, the transition to market-dominated education can only be achieved through heavy state-subsidisation of private education to artificially depress user costs (the majority of the costs of private schools in Australia are now paid by governments). If a significant private sector develops in higher education it will necessarily be dependent on state subsidies. Once the market becomes dominant, the value of state subsidies can be run down and the human capital equations can come into their own. The significance of voucher schemes is that they would speed the transition, in one stroke establishing open competition and universal exchange. An education system functioning on vouchers would be characterised by considerably greater distributional inequalities than produced by state provision. For example market-weak schools such as those in working class zones, no longer underwritten by the State, would face a downward spiral of reducing user support, especially middle class support; declining material

inputs through less vouchers and less private supplement to vouchers; the destablisation of enrolments and staffing; bankruptcy and educational collapse. Vouchers would thoroughly undermine the meritocratic project of equal opportunity for all and could not be attempted by a government unless fee-paying private education had already developed very broad support. At this time, vouchers are still an ambit claim.

Access on the Basis of Exchange

In the free market human capital discourse, students enter education according to their capacity and willingness to invest in its costs. The discourse requires tuition fees based on the costs of production plus a component for value added (producer profit); the total fee reflects the labour market exchange value of the credential concerned. Therefore fees vary by institution and by course of study, as same credentials are more valuable to others. From the point of view of the student subject full fee arrangement signify an unambiguous human capital model; future earnings become crucial : such arrangements have now been introduced for some overseas students studying in Australia, in selected post-graduate courses of a vocational nature (Dawkins 1987), and for students at the Bond University. The Federal opposition has proposed that higher education institutions should be allowed to establish full-fee entry to any and every course of study.

The distributional consequences are profound, even in the case of fees that fall well short of full cost. Available data on the socio-economics of access to education indicate that the private costs of education impacts students from different social groups unequally. The most authoritative survey of the impact of the reintroduction of tuition fees in Australian higher education, at a level of $1,500 in 1978 prices, found that while 12.3 per cent to 20.4 per cent of students from upper professional backgrounds would

not enrol if fees were introduced, 24.1 per cent to 38.2 per cent of students from semi-skilled backgrounds would not enrol. Of women students, 24.1 per cent (universities) to 31.7 per cent (country colleges) would not enrol compared to between 19.2. per cent and 28.1 per cent of men students (Anderson et at 1980). The 1973 decision to abolish fees in higher education was associated with increased social equality in access in at least the first five years. Whereas in 1974 14 per cent of university students and 18 per cent of college of advanced education students were drawn from trades/manual familes, in 1979 the respective proportions had risen to 19 per cent and 26 per cent (HERT 1985). Following the introduction of the $250.00 per annum higher education student charge in 1986, the Commonwealth Government commissioned a report on the effects of the charge on the pattern of enrolment in Australian higher education institutions. The report found that in the first year of operation of the new charge the groups most affected by it were mature-age students, female students, students with dependent children, students with household incomes just above excemption thresholds, part-time students and external students. It said that:

> "Institutions, student groups and individuals have drawn attention to the position of mature age women students studying part-time. In particular married women (usually mature-age part-time students) who were not in paid employment and were therefore dependent on their spouse's support to meet the cost of their education were reported to be having difficulty in meeting the charge." (HEAOMC 1987:8).

In 1986 the Bond University announced that its fees would vary but would be set at an average of about $7,000 per year (Attwood 1986). At that time $7,000 per year was 30.8 per cent of Average Weekly Earnings (ABS 1986b). Less than one taxpayer in three receives Average Weekly Earnings; according to the 1984-85 Australian taxation statistics approximately 27 per cent of all taxpayers earned Average Weekly Earnings in 1984-85 and only 13 per cent of women taxpayers earned to this level (Commonwealth of Australia

1986). Full fees in some courses such as medicine would be upwards of $20,000 per year, three quarters of the Average Weekly Earnings. In the human capital discourse students pay for these costs by taking out loans that are repayable from their augmented future earnings. This does not modify the distributed effects of fees because access to credit is governed by prior social characteristics: in the case of students from poorer backgrounds, loans are a greater risk for both finance companies and for the students and their families. Loan financing also penalises women because their life-time earnings tend to be lower than those of men. Some exponents of free market arrangements such as Blandy and the founding Vice-Chancellor of Bond University, Don Watts, have proposed scholarship financing for 'able' students from poorer backgrounds (SMH 1987). The creation of this exceptional category is a concession to the expectations created by the meritocratic discourse which offers education to all students of ability, and the present discourse of national economic reconstruction which requires the higher education credentialling of all students produced by the school system as able. It is an exceptional category nevertheless.

The establishment of full-cost fees at the higher education stage, corresponding to the fees of $6,000 per year and upwards already charged by the elite private schools, enables the present users of those schools to protect the value of their investment in their children's schooling. As Kenneth Davidson has put it:

> "Given that 'superior' schooling no longer operates as a guaranteed passport to higher education, and that higher Year 12 retention rates will intensify competition for tertiary places which are now the necessary precondition to achieve or maintain high socio-economic status and acquire top jobs, the 'iron law' of privileged groups attempting to maintain position is likely to intensify and take different forms. Thus the battle ground of the hidden agenda has shifted from education resourcing at the secondary level and the associated arguments for privileged based on freedom of choice and fiscal justice

for those who choose the private alternative, to the question of restricing the numbers seeking tertiary places through the introduction of fees or private universities, on the grounds that this will improve equity as free teriary education has not improved the relative position of students from lower socio-economic backgrounds.[13] The hidden agenda behind the strong support by those who would willingly pay fees for the tertiary education of their children is the fact that the cost of 'crowding out' the growing proportion of students from low socio-economic backgrounds who qualify for entry to tertiary education is more than repaid by the reduction in competition for tertiary places, and in the smaller numbers of graduates, which has the incidental advantage of protecting the value of the degree of diploma credential" (Davidson 1986 : 7),

Lower Participation in Education

As Davidson notes, exchange relations also result in the lowering of the aggregate level of participation in education. For poorer families priority is necessarily given to consumption rather than investment : food, housing, clothing and basic health rank ahead of the costs of private education. This reduced participation is understood as increased efficiency by consistent free market human capital economists. For example Fane said in 1985:

'We have recommended that students at universities, CAE's and TAFE's should be charged fees equal to the estimated marginal social costs of their places. We have argued that the external benefits (i.e. the benefits not captured by the students themselves) from tertiary education are probably negligible so that the appropriate fees are roughly equal to the estimated direct budgetary marginal cost of the places; we have recommended that student assistance schemes be terminated and that subsidised loan schemes not be introduced. Critics may reply that if these policies were implemented most tertiary students would abadon their studies. We certainly expect that

> many would respond in just this way; however, we see this not as a defect of our recommendations but as their chief merit. In essence our argument is that government regulations and subsidies are causing students at tertiary institutions to obtain tuition and other services which are valued far below their costs of production, and that efficiency would, therefore, be increased if some of the resources currently devoted to tertiary education were re-allocated into more highly valued activities" (Fane 1985 : 99 - 100).

The free market human capital disourse thereby contradicts the emphasis on increased participation contained in the economic reconstruction discourse (Dawkins 1987), as well as disabling the older meritocratic practices. These contradictions are a significant political obstacle to the widespread colonisation of public education by full fee exchange relations, although if that colonisation is restricted to selected institutions and/or certain high income-earning credentials, the aims of the participation policies (which focus most of all on aggregate participation rates) could perhaps still be achieved.

Deproblematisation of Educational Selection

The free market human capital discourse has novel implications for the practices and policies of educational selection. It hypothesises selection via a market place in the production of human capital. Individuals in effect select themselves in making individual investment decisions. Individual self-selection is modified only by ability, the 'raw material' of human capital, which is understood as a pre-given natural endowment distributed unevenly between individuals; those with the most ability have the greatest potential earning power. Ability is not seen to be produced in education, it is merely recognised there; in the discourse it is assumed that in an efficient private educational market ability will be automatically recognised and appropriately processed. [14] Under

these conditions the unequal distribution of educational credentials is held to reflect the unequal distribution of ability in the population.

For those located in the free market human capital discourse there is therefore no educational problem of selection. Educational selection is replaced by a naturalised market selection. The arbiter in selection is not the organisation of education as such, but market forces and natural endowments external to it. The free market human captital discourse deproblematises educational selection. This is something that the meritocratic discourse, with its tantalising promise of opportunities for all, engineered (and modified) by arbitrary policy decisions, has never been able to do. But the meritocratic discourse also calls up desires for participation in education that the free market discourse tends to suppress.

Vocationalism

Education is more than just the production of credentials and marketable research; it involves other activities: cultural acquisition, the production of knowledge not marketed, child-minding, the experience of human relationships. In the free market human capital discourse the balance of educational productions shifts towards market-related productions. Because it involves greater private costs and emphasises the importance of monetary funds to graduates, the credentialling aspect is strengthened. The pure human capital model wholely reduces all education to the production of credentials. Hence Fane proposed that students should be able to gain qualifications without undergoing formal education at all (Fane 1985 : 75 and 79) and Blandy said that one advantage of a fee-based system was that "institutions ....would be under pressure to shorten the length of all training programs". (Blandy 1979 : 159).

Existing courses and credentials with no specific market value are therefore weakened by market colonisation. A transition to free market practices would undermine teaching and learning in most of the humanities, much of social science and in the pure sciences. For most people located in the discourse, clear vocational tracks are required. The discourse translates into early specialisation at the secondary school stage and occupationally-specific post-school training. Generalistic credentials such as arts and science degrees are capable of exchange in a number of labour markets, but this very flexibility renders calculations of future rates of return more difficult. Further, and in contrast to the other generalist credential business studies, arts and science courses do not provide the security of a vocationally-attuned subject position: they do not anticipate the world of work - the desire to determine individual work and career is central to the free market human capital discourse, a desire constructed by the discourse and addressed within it. The logic of the market demands that research must also specialise and attune itself to the knowledges markets. Research must be capable of immediate exchange itself, or directly support other activities that are themselves so capable : therefore research becomes structured by the immediate needs of large corporations and public administration. In the longer run applied research is dependent on developments in pure research, but pure research is not valorised within the discourse. The knowledges markets tend to negate themselves.

With non-vocational education marginalised, the disinterested acquisition of culture becomes a luxury consumption by those who can afford it because their vocational prospects are guaranteed. At the other end of the social scale, also, non-vocational education is produced, but it is of a very different kind. The collapse of the teenage labour markets has increased political pressures for the State regulation of students seen to be 'at risk', producing public education as a (temporary) social safety net. Skilling of labour is not the only motive for the drive to increase participation in

education. The labour markets by no means provide full employment and it is these students in some public schools who have the worst employment prospects. For them, educational policies provide temporary school-holding satisfaction and rudimentary life training and pre-vocational skills : hence the evolving emphasis on participation as an end in itself; diversity of cultures, interests and abilities; the need to cater for 'non-academic' students, and so on. These practices are not necessarily inconsistent with the free market human capital discourse, which requires a layer of social welfare schooling to protect the orderly operation of the human capital markets in which more fortunate subjects are located.

New Individuals, New Markets

The free market human capital discourse individualises the production of education as well as its consumption. Individualised units of production (private institutions) displace system-planning by the State. Institution-regulated credentials tend to replace state guarantee, so increasingly credentials become a matter of not what you know but where you go. Individual fee-for-service research and consultancy tends to displace academic wage labour and collective production of knowledges. Parallel to the student as liberal economic subject, a new subject position emerges in educational and administration: in the discourse educational leadership is displaced from the scholar (the seeker after knowlege) to the entrepreneur. The markets valorise the work of school and tertiary administrators who can attract the most student clients, secure the most private research funding, negotiate vocational training packages, anticipate the developing market demands in advance. Simultaneously, the discourse weakens the political role of collectivist groups such as education unions, student unions and parent organisations; it atomises production and consumption of education, structuring personal relations as competitive relations. It substitutes market accountability for peer assessment, group planning and direct accountability to the users of education, undermining the rationale for collective politics.

Parallel to the production of new individualities is the construction of new industries and new markets in and around eduation : loan financing, professional advice on human capital investment decisions (now playing a significant role in relation to Australian private schools): educational marketing, already absorbing an increasing share of institutional budgets even within the public institutions. In the longer term, institutions may develop that combine training/credentialling with employment placement services, conflating exchange in the markets for production of human capital with exchange of human capital in the labour markets.[15]

Concluding Remarks

The purchase of the free market human capital discourse lies in the subject locations it provides, the needs it has created and the needs it offers to fulfill. While it is not difficult to explain the attraction of the discourse to possessors of significant economic power and resources, to characterise it as an ideological conspiracy foisted on an unwilling or foolish population takes the analysis little further forward. The free market conceptions of individual, market and freedom, and the science of human capital economics that has developed, are productive of truths and practices in education; they cannot be reduced to false consciousness. They order actual human behaviours.

The discourse and those who have invested in it are competing with other discourses, other practices for the same educational ground. Free market human capital notions intersect with other discourses - for example the present official national economic reconstruction discourse adapts to some free market notions in education and there is a significant overlap between the free market discourse and meritocratic discourse in education : individualism, competition, pre-given abilty are common to both. There are also contradictions and absences between and within the discourses and it is in these contradictions and the associated on-going struggles involving power

and social relations that the potential lies for shifting subject positions. The evolution of the free market human capital discourse is continuous; so is the evolution of its context and the potential for new discourses and new political and educational practices.

NOTES

1. The term free market economics is used in preference to neo-classical economics because it particularises the free market tenet within the liberal capitalistic economic tradition. This broader tradition is most usually understood as divided into two variants, neo-classical (including free market) and Keynesian, although the opposition between them is not as absolute as their protagonists often conceive.

2. One corollary of these assumptions is that workers who are unemployed or workers who receive low wages are in that position because their human capital investment, and hence their productivity, are too low (Preston 1986: 7, Barlow: 3 and 6). Hence the contemporary emphasis on training rather than job creation as the 'solution' to youth unemployment. By implication women receive lower wages than men not because of the gender structuring of industries but because they have not invested in themselves appropriately.

3. The discourse therefore requires students to have unrestricted rights of investment in (rights of market entry to) the level of education commensurate with their pre-given 'ability'. Ironically, this has <u>not</u> yet produced opposition to restrictive trade practices in education - for example, the selective enrolment practices of elite private schools, which regulate access to their high income earning credentials largely on grounds other than measured ability.

4. The affective domain was let to non-scientists, outside the terrain of rationality - and particularly to women.

5. Recently the neo-classical model of the economic subject as an egoistic, rational utility maximiser has been applied to political behaviour through the work of the public choice theorists, notably Nobel Prize winning economist James Buchanan. Here the ultimate end still appears to be maximisation of utility via consumption, but through the exercise of political power. However, the public choice theorists have been unable to generate predictions of human behaviour that have been consistently validated by empirical research, thus failing their own test. See the critique of public choice research in Quiggin (1987) who concludes that the postulate of egoism must be abandoned and that the failure of public choice theory throws doubt on the whole neo-classical paradigm.

6. The analyses of methodological individualism in Lukes (1970) and Levine et al (1987) are penetrating but remain imprisoned by the individual/society dualism. In the case of Levine et al this leads, despite their own efforts, to an abstracted conception of social types and the conclusion that the utility of methodological individualism is "an empirical question" (84).

7. The laying bare of similar methodologies in measurement-based educational psychology (psychometrics) and sociology begins from these disciplines' use of the individual as the cardinal unit of calculation. In model building the properties of social relationships (learning achievement, socio-economic background, etc.) are ascribed to individuals with precise quantitative weightings. But the properties of such relationships cannot be individualised in more than arbitrary fashion, and the arbritrary weightings govern the specific results of the calculations. These methods, produce malleable human behaviours, constructed from <u>a priori</u> political stand points.

8. It is notable that in free market public choice theory a contempt for democratic processes and the democratic electorate can be detected. Quiggin cites terms such as "myopia", "xenophobia" and "rabble" and quotes Mueller who says that "the assumption that the electorate is ignorant and greedy underlies much of the public choice literature" (Quiggin 1987 : 14).

9. In New Right liberal theory there is presently a reassertion of commitment to Hobbes' view of human nature and society, coupled with continued commitment to the work of Adam Smith - and rejection of John Stuart Mill (and to some extent John Locke) as implicit 'collectivists'. Mill is held responsible for this al democracy and the public choice theorists' problem: the capture of the welfare state by producer groups and middle class electors. At a recent seminar run by the New Right Centre for Independent Studies, this renewed investment in Hobbes was acknowledged by Kenneth Minogue (London School of Economics) and John Gray (Oxford University), a 'born-again' anti-Millian who argued that "we must turn to Hobbes for the modern theory of individuality." See the papers and proceedings of the Centre for Independent Studies Seminar, 'The Liberal Tradition in Political Thought', 9 August 1987, Sydney.

10. Fane said that public goods are distinguishable from private goods by two criteria - those of non-rivalry in consumption (consumption by new consumers does not reduce the value of benefits available to existing consumers) and non-excludability in consumption (it is impossible to prevent those who have not paid for the good from sharing in its benefits). To the extent that it does <u>more</u> than assign credentials, education fulfills both criteria - existing students do not lose if other students learn what they know; and in both the collective workplace and through cultural relationships, non-consumers stand to gain if the educational level is raised.

11. One of the reasons why the politics of education is so unstable - why there is little consensus on many matters - is that a number of discourses, with corresponding subject positions and associated material practices, have significant purchase in education: the conservative educational discourse, the meritocratic discourse and the newer participation discourse, egalitarian collectivist educational discourses, the Federal Government's discourse of national economic reconstruction and the free market human capital discourse. (These intersect significantly; for example, the discourse of national economic reconstruction draws on meritocratic, participation and free market notions). By comparison contemporary corporate politics is conducted within the relatively simple coupling of free market discourse with national economic reconstruction.

12. For more discussion of the residualisation of public schools within the dual (public/private) system of schooling see Teese 1984, Preston 1985, Marginson 1985 and 1987.

13. The 'free market egalitarian' argument that free education constitutes a transfer from the average taxpayer to the wealthy (who are over-represented in higher education), and that therefore fees should introduced, must be regarded with scepticism. It is not consistently free market, because it acknowledges distributional issues. It is not consistently egalitarian, because the conclusion that reforms in educational selection should be introduced is <u>not</u> drawn, and because the wealthy would be still more over-represented in a fee-based system. The egalitarian premise of the argument is turned on its head by the free market practice it calls up. This contradiction does not detract from the power of the argument whose purchase lies precisely in its particular combination of the two contradictory discourses. Thus free market egalitarianism operates as a means of relocating subjects (for example, ALP politicians) from egalitarianism to the free market, from equality to equity.

14. The advocates of the free market support standardised testing (usually including I.Q. Testing) and external examinations as producers of ability : see for example Blandy and Richardson 1982; Fane 1985; Freebairn et al 1987: 92 - 118.

15. This conflation already occurs in sections of the private training market, for example in computing, although promises of guaranteed jobs are not always what they seem.

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